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TAGS: [ETTC](#) [PREL](#) [IR](#) [GM](#)  
SUBJECT: GERMAN GOVERNMENT NOTIFIED ABOUT A PROBLEMATIC  
SALE TO IRAN

REF: STATE 91418

Classified By: Acting Minister-Counselor for Economic Affairs Douglas B  
. Neumann, for reasons 1.4 (d).

1, (S) Global Affairs officer delivered ref demarche to Holger Michael, office director of the German MFA's Division for Basic Issues and Instruments for Foreign Trade and Payments Promotion, Associations, Chambers, and Trade Fairs, and Dirk Rotenberg, office director of the MFA's Division for Export Credit Guarantees (Hermes), July 5. Michael and Rotenberg said they were unaware that a German firm, possibly Siemens, was pursuing a major deal to supply compressors for the natural gas sector to Iran. Rotenberg noted, however, that if a German firm wishes to invest in Iran or sell goods there, it would have to notify the German Government in some fashion. German firms must apply for an export credit guarantee with the German Government when planning to invest in Iran. If a German firm wishes to export controlled goods, then it must apply for an export license with the German Federal Economic and Export Licensing Agency (BAFA). Either way, the German Government would be notified of planned trade with Iranian entities and would deny any application to export controlled goods. Rotenberg added that Germany abides by the EU Regulations to implement UNSCRs 1737 and 1747 and therefore ships no listed goods to the individuals or entities named on the UNSCR Annexes. Furthermore, these EU Regulations bar the export of goods listed by the Nuclear Suppliers Group (NSG) and Missile Technology Control Regime (MTCR) to Iran. In addition, the EU created its own list of additional items to be barred from Iran by EU member states, and BAFA is creating its own list of controlled goods. Michael cited Germany's adherence to the EU Regulations and BAFA list of goods barred from Iran as evidence that German firms are not conducting "business as usual" with Iran. Nevertheless, neither official, when pressed, offered to have the German Government investigate this deal or prohibit it in any way.

12. (S) Michael said the German Government believes that the most effective approach for curbing trade with Iran is for German industry to stop investing there of its own volition. Without giving data, Michael said German trade with Iran declined in the first half of 2007, indicating that German firms recognize the risk of doing business in Iran. Furthermore, Michael said, Germany introduced a measure in the OECD for export credit agencies to downgrade Iran's credit risk from risk category five to six, which is one step away from the lowest grade of credit risk. Rotenberg noted that the German export credit agencies cut the export credit guarantees in half in 2007, compared to 2006. German industry recognizes the increased risk of investing in Iran, the two officials said, and is aware of legislation pertaining to trade with Iran.

13. (S) Michael discussed using economic pressure on Iran to prompt it to comply with UNSCRs 1737 and 1747, advocating

that this be incremental. He also noted how closely Germany is working with its EU3 partners France and the United Kingdom on the next round of UN sanctions. For sanctions to be effective, Michael said, they must be universally applied.

¶4. (U) Post will report any additional German response septel.  
TIMKEN JR